



**AUDITOR GENERAL'S
ANNUAL REPORT (ADDENDUM)
ON
THE APPROPRIATION AND OTHER ACCOUNTS
OF JAMAICA
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2011**

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APRIL 2012



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May 3, 2012

The Honourable Speaker
House of Representatives
Gordon House
81 Duke Street
Kingston
Jamaica

Dear Sir,

Pursuant to the provision of Section 122(2) of the Jamaica Constitution, I submitted my report on the results of the examination of the accounts of the Island for the year ended 31st March, 2011 for tabling in the House of Representatives on December 27, 2011. I submit at this time an addendum to the Annual Report. Please note that the addendum and the Report should be construed as one document.

Yours faithfully,

Pamela Monroe Ellis (Mrs.)
Auditor General

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HEAD 0200 - HOUSES OF PARLIAMENT (HoP)

General Comments

8.4.33 The audit of the accounting records and financial transactions of Houses of Parliament revealed a generally satisfactory state of affairs. The HoP has adequately addressed the weaknesses we identified during the audit.

HEAD 0700 - OFFICE OF THE CHILDREN'S ADVOCATE (OCA)

General Comments

8.4.34 The audit of the accounting records and financial transactions of OCA revealed a generally satisfactory state of affairs. The OCA has adequately addressed the weaknesses we identified during the audit.

HEADS 1500, 1500A AND 1500B - OFFICE OF THE PRIME MINISTER (OPM)

General Comments

8.4.35 The audits of the accounting records and financial transactions of OPM identified weaknesses in the internal controls over expenditure vouchers, inventory records, clearing of advances and reconciliation of the salaries bank account. We also noted overpayments totalling \$55,015. OPM has adequately addressed all issues raised.

HEAD 1539 – POST AND TELECOMMUNICATIONS DEPARTMENT

General Comments

8.4.36 The audit of the financial transactions and accounting records of the Department revealed a generally satisfactory state of affairs. The PTD has adequately addressed the weaknesses identified.

Post Offices

Loss of Public Funds Due to Thefts and Fraudulent Conversions

8.4.37 The Postmaster General reported losses of \$5.1M due to robberies and fraudulent conversions of United States Money Orders.

Date	Type	Post Office	Amount (\$)	Remarks
June – July 2009	Fraudulent Conversion	Meadowbridge, CSO, GPO, Linstead, Mandeville and Liguanea	1,128,000	US\$15,100
May 5, 2010	Robbery	Watson Hill	115,300	
August 5, 2010	Theft	Fellowship	300,000	
September 8, 2010	Theft	Liguanea	151,772	
October 19, 2010	Robbery	Hagley Park	351,512	
September 1, 2011	Robbery	Hagley Park	3,080,715	
Total			5,127,299	

8.4.38 PTD reported the losses to the Financial Secretary and the Auditor General, as required by the Financial Administration and Audit Act. PTD also asked the Police to investigate the matters. To date, the matters have not been satisfactorily resolved.

HEADS 1600, 1600A, AND 1600B - OFFICE OF THE CABINET

General Comments

8.4.39 The audit of the accounting records and financial transactions of the Office of the Cabinet revealed a generally satisfactory state of affairs.

HEADS 2600, 2600A AND 2600B - MINISTRY OF NATIONAL SECURITY (MNS)

General Comments

8.4.40 The audit of the financial transactions and accounting records of the MNS revealed a generally satisfactory state of affairs. However, we identified weaknesses in the internal controls governing the staff revolving loan scheme. The Ministry was advised to take corrective measures.

JAMAICA POLICE ACADEMY

Internal Control Deficiencies

8.4.41 We identified deficiencies in the controls governing payment procedures as well as cash management. Further the Academy did not seek approval from the Ministry of Finance for the opening of a bank account in breach of Section 6.1 of the FAA Act Instructions. Review of revenue and payment transactions revealed the following shortcomings:

- Cash shortages totalling \$45,199, late lodgement amounting to \$145,250 and the use of unofficial receipts to collect funds totalling \$77,955 were noted. In addition, receipts to verify collections totalling \$130,664 were not presented for audit scrutiny
- The bank account had not been reconciled since 2002.
- For the period April 2009 to March 2011, 167 payments totalling \$5M were made on internal invoices instead of using the official payment voucher forms, hereby circumventing the certification and authorisation process.

8.4.42 We advised management to bring the reconciliations up-to-date immediately and remedy the unapproved status of the bank

account. Management has since advised that instructions were issued by the Ministry of Finance to close all bank accounts operated by the Academy.

HEADS 2800, 2800A AND 2800B MINISTRY OF JUSTICE

General Comments

8.4.43 The audits of the accounting records and financial transactions of the Ministry of Justice (MOJ) revealed a generally satisfactory state of affairs:

JUSTICE TRAINING INSTITUTE

8.4.44 There was a need for improvement in the maintenance of the cash book, blank cheques and register, and bank reconciliation statements. Additionally, nine students who completed or discontinued courses owed tuition fees totalling \$450,000; four of these students were awarded completion certificates. There was also no evidence the Institute executed bond agreements with 55 students for whom the Institute absorbed the cost of US\$10,000 each for their participation in the Court Reporting Programme during the period September 2007- August 2010.

COURT OFFICES

HEAD 2827 – RESIDENT MAGISTRATES’ COURTS

Accounting Deficiencies

8.4.45 The audit of the accounting records and financial transactions of the St. Ann’s Bay Resident Magistrate’s Court Office, for the year under review, revealed several weaknesses including the need for improvements in the maintenance of the cashbook, receipt book registers, bank reconciliation statements, telephones, blank cheques register, Value Book, and fixed assets control. The weaknesses identified could result in the loss or misuse of public resources. We reiterated that the relevant records must be maintained in the manner prescribed by the relevant guidelines.

Warrants, Fines and Commitments

8.4.46 The Court’s records disclosed the following for the period July 2007 to February 2011:

- The status of 411 warrants totalling \$16.1M was unknown;
- 271 unexecuted warrants totalling \$8.6M were in the custody of the bailiff;
- 75 fines totalling \$424,300 remained outstanding.
- There were 71 outstanding commitments totalling \$1.5M.

**Please see table below for details:*

St. Ann’s Bay Court Office -Warrants, Fine and Commitments

Warrants			Fines		Commitments		Total Fines & Commitments	
Category	Number Outstanding	Amount (\$)	Number Outstanding	Amount (\$)	Number Outstanding	Amount (\$)	Number Outstanding	Amount (\$)
Status Unknown	411	16,150,000						
Unexecuted	271	8,595,354						
Total	682	24,745,354	75	424,300	71	1,506,000	146	1,930,300

HEAD 4000, 4000A and 4000B – MINISTRY OF LABOUR & SOCIAL SECURITY (MLSS)

General Comments

8.4.47 MLSS has not been able to resolve recurring deficiencies with the National Insurance Scheme; this is evident from the audit issues highlighted below. All the issues, with the exception of advance payments and reimbursement to the consolidated fund were mentioned in my previous reports for the financial periods ended March 2008 and 2009.

National Insurance Scheme

- i) MLSS had not resolved the issues relating to outstanding NIS contributions, which were highlighted in previous Annual Reports. Consequently, these issues are repeated below. We reminded the Ministry that, not only is the viability of the Scheme at risk, but also of the likelihood that contributors will be denied benefits because of their employers' delinquency. Additionally, the MLSS was still unable to verify whether the actual amounts collected for NIS contributions by the Inland Revenue Department had been fully paid into the contributions' bank accounts.
- ii) NIS internal quarterly reports disclosed that 1,561 employers did not remit \$1.23B in NIS contributions that were deducted from workers wages. Further, a total of 1,165 employers and self-employed persons in all parishes continued to be delinquent in filing Annual Returns for the years 1988 to 2010.
- iii) Replacement cheques were not received for 472 dishonoured cheques totaling approximately \$11.2M, which were received as payment for NIS contributions over the period April 2007 to March 2011. The Ministry was advised to take the necessary steps to pursue recovery.

- iv) We were also unable to substantiate whether \$512M paid into to the NIS bank accounts for March, April, and June 2010 agreed with the actual amounts collected by the former Inland Revenue Department (IRD), because the relevant collection records were not presented to the NIS head office.

Advance Payments made from the National Insurance Fund

8.4.48 NIS withdrew amounts totalling approximately \$99.2M from the National Insurance Fund (NIF) during the financial years 2005/2006 to 2010/2011 to settle commitments on behalf of the MLSS, in breach of Section 39[3 - 4] of the National Insurance Act, which provides authority for specific expenses to be met from the Fund. Up to March 2011, the MLSS had not yet repaid the NIF the balance of \$69.7M. Additionally, MLSS did not inform the Ministry of Finance of this arrangement or the Ministry's indebtedness to the Fund; as such, MOF did not include the sums owed to the NIF in the Supplementary Estimates of Expenditure for the affected years.

Ministry

Delay in Reconciliation of Salaries Bank Account

8.4.49 At June 2011, maintenance of this account was six months in arrears, with June 2011 being the last statement prepared. Based on deficiencies identified regarding to treatment of adjustments totalling \$24M we expressed critical concerns about the accuracy and reliability of the statements. At the date of this report, we noted that actions were being taken to address our concerns.

Salary Overpayments

8.4.50 Amounts totalling \$924,102 was overpaid to three employees. Up to the date of this report, \$245,607 was not yet recovered.